

LA Business Council
VALUES PANEL PRESENTATION

At the Los Angeles Business Council, we have spent the past two years intensely focused on the matter of solar energy here in Los Angeles. Specifically, we wanted to meet our LA Mayor's goal of developing over 1 GW of solar energy that would be cost-effective, user-friendly, generate significant supplies of new clean power and jobs. As it turns out, we were in for more than we bargained for ...

Now, here we are, after nearly two years of research, stakeholder meetings, advocating the program to elected and appointed officials and working towards consensus on how best to harness this great resource known as the sun and the plentiful rooftops in LA.

We've learned more than we ever thought possible about economic ratepayer modeling; we've discovered that rooftop solar can help promote social equity; and we've learned an awful lot about the emerging clean energy economy, as well as its huge potential for job creation.

I'd like to share some of the key values that have emerged in our work, and use our experience as a kind of case-study for others' benefit.

Let me say at the outset that while the values will likely be the same, the means and approaches will be different in each community. Every city, every county, every region has different needs and resources, and any program should meet those unique needs. That said, let's talk about values ...

There are many ways to approach the values discussion. Some people talk about economic development and jobs. Other focus on the RPS goals themselves. Still others say it's all about energy independence. I'd like to talk a little about our experience with solar in Los Angeles, and then I'll share a series of values that I think should guide our collective work deploying locally generated power.

The Los Angeles Business Council has developed a program that will help businesses; non-profits and residences reduce their energy costs while providing real income opportunities both for property owners and renters and for the Angelenos who stand to benefit from the jobs that will be created.

As you know, Los Angeles has faced years of double-digit unemployment and deficit budgets. The LA Business Council realized that the feed-in tariff, or FiT, was a policy mechanism that could create local solar energy while being an economic development engine for the city, such as the FiT programs that have been hugely successful in Germany; Ontario; Gainesville, Florida; and recently in Sacramento.

The context in LA and in California as a whole couldn't be better for a policy like this. There's a need for broad economic development in the state. The California Solar Initiative successfully created a new solar industry that we need to build and grow, and there are hundreds of millions of dollars in federal incentives available to help foster solar programs and now, we have a Governor committed to 12,000 MW of distributed generation by 2020.

The Los Angeles Business Council fits into this framework because we represent large commercial, industrial, retail property owners, hospitals and schools. Our members are early adopters of energy efficiency programs who are looking for the next steps in helping their bottom line by controlling energy costs and helping meet the state's renewable goals. This is why we commissioned a series of solar studies with UCLA, and are advocating for a FiT that we call the CLEAN LA Solar Program.

CLEAN LA would produce 600 MW of locally generated rooftop solar power; create thousands of local jobs; and spur as much as \$2 billion of private investment. The plan enjoys huge support among the public, with an opinion survey showing that more than eight in 10 local voters are in favor.

Further, over the 30-year life of the program, it pays for itself. Let me repeat that: over the 30-year life of the program, it pays for itself. Even in the early years, while it's still ramping up, the average residential ratepayer impact is between 18 cents and 57 cents per

month. Later down the line, ratepayers actually save nearly a dollar each month as a result of the program.

So what are our key values?

KEY VALUE #1: Economic fairness and competitiveness:

- We realized that a key value for a viable solar program is the idea of economic fairness and competitiveness. By this I mean a responsible program must be available to owners and renters at a cost competitive price while providing savings over time.
- It was our intent from the beginning that the program we designed and advocated for would pay for itself over its duration. UCLA's model showed that a 10-year, 600MW program for the LA Department of Water and Power would be cost effective and provide a savings to ratepayers over time. If renewables are to achieve grid parity we need to design our programs in a way that makes them as reasonably priced as possible while maintaining quality and real value to the customer. CLEAN LA does just that.
- This is a private sector solar program that provides a huge economic development boost to Los Angeles. This program will create up to 2,000 new, high wage jobs a year for the next 10 years, generate \$2 billion in private investment and leverage over \$300 million in federal cash and tax incentives to LA businesses and residences. These federal incentives will expire in 2016, creating a clear urgency around getting this program online and robust quickly.
- It is also important to note, from the statewide perspective, this program creates taxable income to the state's general fund.

KEY VALUE #2: Universal and Enforceable: Another important value is that the Governor's renewable DG program be enforceable for all utilities in the state, both municipal and IOUs. It should have clear goals, timeline and accountability.

Here are examples of why this is so important.

- Example: SB 32 requires 750 MW of solar FiT distributed to all utilities statewide but with no time certain or repercussions if not done.
- Example: While the SB1 CSI program is applied in areas served by investor owned utilities, there is no enforcement of SB 1 goals on municipal utilities. Similarly, there is no oversight of municipal utility program administration, which means complaints about processing times and unpredictable program shut downs have occurred in many municipal utility areas. Innovations adopted by the PUC for the CSI program that serve low-income areas, such as "virtual net metering" for multifamily residences, are not available in the areas served by municipal utilities.
- So it's clear that new programs should be enforceable and have benchmarks for deliverables that come with penalties/incentives for bad/good behavior.

KEY VALUE #3: financing is key to capacity building and spurring a workforce development plan.

- It's important, in order to have capacity, to get our financial institutions more involved in lending. The state could encourage, train and reduce the risk of making energy loans.
- In Germany, where feed-in tariffs have stimulated a tremendous number of rooftop solar installations, local banks are the primary sources of loans

thereby stimulating local economic development further. In California, the local banks don't necessarily understand solar technology or how to evaluate the risks and rewards of solar electricity generating projects. As a way to overcome this kind of financing barrier, we think the state should consider planning and conducting "Making the Solar Loan" classes for local banks.

KEY VALUE #4: Responsiveness to Ratepayer

- Ratepayers clearly want renewables, as the defeat of prop 23 shows. The results of a citywide survey that we conducted finds that 80% of LA residents favor our CLEAN LA solar initiative and that more than 60% of Angelenos are willing to pay upwards of a \$1.00 per month more for it.
- Rather than operating under a principle of driving to the lowest cost in the short term, **programs should be conceived in a way that they can provide the best value to the ratepayer over the long term.** If you were building a new power plant, you wouldn't be asking for cost-savings in the first year. You'd be looking at the long-term investment picture. In this case, the start-up costs are minimal – 18 to 57 cents per month for the average residential customer – and should be weighed in the context of all of the program benefits. Including, by the way, ratepayer savings of nearly \$1 per month in the later years.
- Renewable programs need to serve everyone, from business owners and non-profits, to renters in multifamily apartment buildings. Ownership by individuals should be equal with third-party investor owned arrangements.
- In our latest commissioned study on multifamily solar by UCLA and USC, we found there is 1.5 GW of solar rooftop potential on the city's multifamily apartment buildings. The majority are renters, who make up 1.7 million LA residents and are geographically well distributed in apartments citywide. This multifamily study found that the lowest income areas have the greatest solar

potential. Four cluster areas of solar roofs were identified citywide. Clearly, the areas that need the jobs are the ones that are most apt to generate much needed solar energy in the city's most solar friendly areas.

LA must create much-needed jobs by launching a new solar program that is cost competitive, provides a savings over time and is equitable and available to all ratepayers. This is what the LABC and our partners have been developing & advocating for the past 2 years. And as the Governor's office develops their plan for 12,000 MW of local energy generation, we urge them to consider the values we've discussed: economic fairness and competitiveness, a universal and enforceable program, financing tools, and responsiveness to ratepayers.